

# When Green Consumerism Is Fashionable

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ABSTRACT of presentation held on **27 March 2014, room C82, 12.30 – 13.15 hrs., Leeuwenborch, Wageningen**

The paper discusses a model, where products can be differentiated according to their environmental quality, and consumers of environmentally friendly products benefit from social network effects. The market for green products is not covered and production of green products generates positive externalities. The strength of social network effects depends on total demand for green products. In the presence of social network effects, we show that a) firms provide lower quality, b) that the market generates less positive environmental externalities, and c) total welfare might deteriorate. Particularly, social network effects due to green consumption in a non-covered market increase the incentive of low quality firms to set lower quality, while the quality decision of high quality producers remains unaffected.



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